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Managing after-service health insurance

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the Secretary-General on managing after-service health insurance (A/71/698 and Corr.1). During its consideration of the report, the Committee met with representatives of the Secretary-General, who provided additional information and clarification concluding with written responses received on 20 February 2017.

II. Background and update

2. The Advisory Committee recalls that the Secretary-General submitted a report on managing after-service health insurance liabilities (A/70/590) to the General Assembly at its seventieth session pursuant to resolution 68/244, in which the Assembly requested the Secretary-General to undertake a survey of current health-care plans for active and retired staff within the United Nations system and, to explore all options to increase efficiency and contain costs. That report of the Secretary-General contained the results of the survey[1] and eight recommendations prepared by the Working Group on After-Service Health Insurance,[2] which was

* Reissued for technical reasons on 7 March 2017.

[1] Data was collected from 25 organizations in relation to 23 health insurance plans (inclusive of both active and retired staff) across the United Nations system, covering 401,166 persons (see A/70/590, summary and para. 7).

[2] The Working Group comprised representatives of 16 United Nations system organizations that were members of the Finance and Budget Network, the Federation of Associations of Former International Civil Servants, the Federation of International Civil Servants' Associations, the Human Resources Network of the High-level Committee on Management, the Working Group on Common Treasury Services of the Finance and Budget Network, the United Nations Joint Staff Pension Fund and the United Nations System Chief Executives Board for Coordination (see A/70/590, para. 3).

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established by the Finance and Budget Network of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination (see A/70/7/Add.42, para. 4). The related conclusions and recommendations of the Advisory Committee (see A/70/7/Add.42) were endorsed by the Assembly in its resolution 70/248 B.

3. The Secretary-General indicates that, as a follow-up, his report on managing after-service health insurance (A/71/698 and Corr.1) provides an update and further recommendations (A-G) in respect of the previous eight recommendations (1-8) contained in document A/70/590 (see A/71/698, summary and para. 4). For ease of reference, annex I to the present report contains a table showing the previous recommendations of the Secretary-General, the related recommendations of the Advisory Committee endorsed by the General Assembly and the current recommendations of the Secretary-General.

4. Specifically, the Secretary-General proposes to fully fund newly constituted after-service health insurance liability in relation to staff recruited from 1 January 2020 (pay-as-you-accrue approach) (recommendation F), while maintaining the pay-as-you-go approach for the existing liability (see A/71/698, para. 60, and paras. 27-38 below).

5. The Secretary-General indicates that this partial funding proposal, unlike the rest of the recommendations presented in his report, is specific to the United Nations organizations governed by the General Assembly. For those organizations not governed by the Assembly, separate funding proposals would need to be submitted to their respective governing bodies for consideration (see A/71/698, paras. 8 and 59).[3]

6. Section III of the present report covers matters relating to managing health insurance across the United Nations system organizations (recommendations A-D), while in section IV, issues concerning after-service health insurance, including valuation, funding and investment (recommendations E-G) are discussed.

III. Managing health insurance across the United Nations system organizations

Collective negotiations with third-party administrators, health-care providers and insurers

7. The Secretary-General indicates that, consistent with recommendation 1 of his previous report (A/70/590) (see annex I), initiatives have been taken by United Nations system organizations aimed at aligning their requirements in respect of third-party administrators to best practice. To further support collective negotiation, those organizations have agreed to establish and maintain a common database in which terms of reference and contractual terms and conditions in relation to third-party administration, as well as demographic data and claims-related data, will be captured and shared. The organizations have met with one of the two main third-party administrators (Cigna) and intend to meet with the other (Allianz), with a view to conveying the common expectation that optimal terms and conditions of service will be offered and rigorously applied across the United Nations system and that the highest standard of delivery will be met (see A/71/698, paras. 9-12).

8. The Secretary-General therefore proposes that the Working Group continue to promote terms and conditions of service aligned to best practice, cost containment

[3] With respect to paragraph 8 of the report of the Secretary-General, the Advisory Committee was informed, upon enquiry, that a corrigendum had been issued (A/71/698/Corr.1).

and control in the area of third-party administration of health insurance plans (recommendation A) (ibid., para. 14). The Working Group currently comprises representatives of 18 United Nations system organizations, listed in paragraph 3 of the report of the Secretary-General.

9. With respect to negotiations with health-care providers, the Secretary-General reports that, building on their success in conducting collective negotiations with health-care providers in the Geneva area, the Geneva-based self-administered health insurance plans (International Labour Organization, World Health Organization and the United Nations Staff Mutual Insurance Society) continue to identify areas in which collective negotiations with health-care providers could result in savings and operational improvements. Furthermore, the administrators of the three Geneva-based plans have now turned their attention to collectively developing their access to health-care provider networks in Asia and Africa. The Working Group will explore opportunities for cooperation of the self-administered Geneva-based plans with organizations in all locations whose health insurance plans are third party-administered (ibid., paras. 15-17).

10. The Secretary-General therefore proposes that the Working Group pursue opportunities for the cooperation of organizations based in all locations in developing their health insurance plans' access to health-care provider networks in all regions, to ensure that best pricing for quality health care is achieved and pricing volatility is minimized (recommendation B) (ibid., para. 18).

11. Concerning underwriting reviews and negotiations with insurers, it is reported that United Nations system organizations whose health insurance risks are outsourced currently place those risks with one of two insurance carriers (Cigna or Allianz), which also provide third-party administration services. However, reporting requirements and periodicity in relation to underwriting results vary significantly from organization to organization. The Working Group is therefore actively engaged in promoting consistency in this regard. The Working Group has considered it important to establish the United Nations system's profile, as a global client, in terms of both insurance premiums and underwriting results. As a starting point, both carriers were requested to provide baseline aggregate historical underwriting data in relation to personal insurance lines. The Working Group considers that gaining insight into the United Nations system's risk performance in aggregate is a first step towards strengthening the organizations' combined leverage with insurance carriers. More detailed information is provided in paragraphs 20-32 of the report of the Secretary-General.

12. The Secretary-General therefore proposes that the Working Group urge organizations to adjust confidentiality clauses in insurance policies and contracts with third-party administrators that currently preclude the sharing of information within the United Nations system, and implement regular system-wide underwriting reviews aimed at enabling United Nations system organizations to leverage scale and technical experience in negotiating terms and conditions of insurance with health insurance carriers. The Secretary-General further proposes that the Working Group promote risk pooling wherever practicable, including within captive insurance arrangements, where appropriate (recommendation C) (ibid., para. 33).

13. **The Advisory Committee recommends that the General Assembly endorse recommendations A, B and C contained in the report of the Secretary-General.**

National health insurance schemes

14. Following the endorsement by the General Assembly of the recommendation of the Advisory Committee (see annex I, recommendation 4), the Working Group engaged Member States regarding the conditions of eligibility for primary coverage

under the national health insurance schemes of persons insured under the auspices of United Nations system organizations, as well as the terms and conditions of insurance. A two-phased approach has been adopted to obtain information with regard to the appropriateness, practicability and financial effects of incorporating the requirement for enrolment in national schemes into the rules and regulations of United Nations system organizations' health insurance plans (see A/71/698, paras. 34 and 36).

15. The first phase of information-gathering involved a questionnaire developed by the Working Group with a view to: (a) understanding Member States' willingness to allow staff and retirees access to their national health insurance scheme; and (b) obtaining baseline information regarding scope of coverage versus cost. Full confidentiality of the information provided would be ensured. At the time of completion of the report of the Secretary-General, some 5 per cent of Member States had responded to the survey. While the Working Group is encouraged by the completeness of the information received, the number of responses is currently insufficient to permit conclusions to be drawn (ibid., paras. 37, 38 and 41). Upon enquiry, the Advisory Committee was informed that the 5 per cent of responses were from 10 Member States with: (a) a total of 7,076 retirees (excluding dependants), or 9.6 per cent of the beneficiaries of the United Nations Joint Staff Pension Fund; and (b) an estimated total number of 6,722 after-service health insurance participants (excluding dependants), derived by applying a 95 per cent after-service health insurance participation rate to the total number of Pension Fund beneficiaries (consistent with the actuarial assumption applied in the development of the after-service health insurance liability valuations).

16. For the second phase of information-gathering, the Working Group will request information from those Member States whose national health insurance scheme coverages are or could be made available to staff, retirees and their dependants living in the Member State. More detailed information regarding the terms and conditions of the national schemes will enable the Working Group to establish a country-by-country cost and benefit analysis and to assess the effect on after-service health insurance liabilities. However, the Working Group has emphasized the complexity of the analysis, given that, inter alia: (a) different methodologies are applied in calculating the contribution to the national scheme, such as a flat rate per person or a percentage of income; (b) in scenarios in which health-care systems are primarily funded from general taxation and are open to all persons ordinarily resident in the country, free choice of health-care provider may be limited; and (c) in a number of Member States, national health insurance schemes and health-care systems are undergoing changes (ibid., paras. 39 and 40).

17. **The Advisory Committee notes that the information-gathering in relation to national health insurance schemes of Member States is ongoing and that no recommendation has been proposed at this stage by the Working Group. The Committee recommends that the Secretary-General appeal to all Member States to respond to the surveys of the Working Group.**

Broadening the mandate of the United Nations Joint Staff Pension Fund

18. The Secretary-General indicates that the Working Group, having explored the option of broadening the mandate of the United Nations Joint Staff Pension Fund, concluded that this was inadvisable, as noted in his previous report (A/70/590). He also indicates that in relation to its endorsement of recommendations 1 to 3 contained in that report (see annex I), the Advisory Committee recognized the diversity of health insurance plans across the United Nations system and the different administration models and considered, nonetheless, that opportunities existed for consolidation for the purpose of achieving economies and efficiencies

while maintaining access to quality health care. While the Working Group has continued to find no evidence that financial, operational or administrative efficiencies could be achieved in considering the option of consolidating all United Nations system health insurance plans into a common health insurance arrangement operated under the auspices of the Pension Fund, it recognizes the need to enable all United Nations system organizations to realize the financial advantages and administrative efficiencies associated with critical scale. Opportunities therefore exist for smaller health insurance arrangements to merge or to be incorporated into larger plans along geographical or organizational lines, as has been achieved at the United Nations Secretariat, both in New York and in Geneva (see A/71/698, paras. 42-45).

19. The Secretary-General therefore proposes that the consideration of expanding the mandate of the United Nations Joint Staff Pension Fund cease and that the Working Group concentrate its efforts on promoting consistency in health insurance plan design and plan consolidation along geographical and organizational lines for the purpose of attaining critical scale (recommendation D) (ibid., para. 46).

20. The Advisory Committee recalls that, in its resolution 68/244, the General Assembly, inter alia, requested the Secretary-General to examine the option of broadening the mandate of the United Nations Joint Staff Pension Fund, based on input from the United Nations Joint Staff Pension Board, to include the cost-effective, efficient and sustainable administration of after-service health insurance benefits. The Pension Board subsequently noted in its report to the General Assembly that it would not be advisable to broaden the mandate of the Pension Fund to include the administration of after-service health insurance benefits (see A/69/9, paras. 26-33). The Pension Board also noted in its report that the investment objectives of the Fund differed from those of after-service health insurance benefits and therefore that it might be inappropriate for the Fund to manage the resources related to after-service health insurance benefits (see also paras. 39-43 below, on investment of funds for after-service health insurance benefits).

21. However, the Advisory Committee recalls that, in response to General Assembly resolution 68/244, the Pension Board's Assets and Liabilities Monitoring Committee requested that the consulting actuary prepare a note on the option of broadening the mandate of the Fund to include administration of after-service health insurance benefits. One of the conclusions of the consulting actuary was that in terms of investing assets set aside to fund future after-service health insurance benefits, the Fund could provide a cost-effective solution if proper governance, staffing, asset allocation strategy and risk appetite were developed and approved (see A/69/9, para. 31). **The Advisory Committee is of the view that the role of the United Nations Joint Staff Pension Fund to provide a cost-effective solution in terms of investing assets set aside to fund future after-service health insurance benefits could be explored by system organizations whose governing bodies have approved such funding. The Committee is not in a position to recommend endorsement of recommendation D.**

IV. After-service health insurance

Standardizing the general valuation methodology and the establishment and application of key after-service health insurance liability valuation factors

22. It is stated in the report of the Secretary-General that the yearly valuation of the after-service health insurance liability offers a snapshot of how staff and retirees' entitlements to the coverage translate into a United Nations system organization's projected share of the cost of that coverage over the long term.

Furthermore, year-to-year variances in the valuation can be significant, as the liability is highly sensitive to the values determined for the key actuarial factors. It must also be noted that the methodology applied in determining those values can vary from organization to organization (see A/71/698, para. 47). The valuation method commonly used across the system is discussed in paragraph 51 of his report.

23. The after-service health insurance liability valuations of United Nations system organizations are carried out by independent actuaries in accordance with the requirements of the International Public Sector Accounting Standards. The Secretary-General indicates that certain actuarial factors cannot be universally applied to the after-service health insurance liability valuations across the United Nations system because of diverse demographic profiles and contract policies. Nevertheless, the Secretary-General believes that there is scope for organizations to agree on a harmonized methodology for determining the values of a number of key valuation factors. The Secretary-General expresses the view that this would allow for a more homogeneous assessment of the total United Nations system liability, as well as improved organization-to-organization comparison of liabilities across the system (ibid., paras. 48 and 49).

24. The Task Force on Accounting Standards has reached broad agreement that a number of key after-service health insurance valuation factors could be harmonized, such as the following:

(a) The yield curves used to determine the discount rate, which is the financial assumption that most impacts the liability valuation (with an even modest fluctuation having a significant effect on those valuations). In principle, a 30-year yield curve for high-quality corporate bonds would be identified each year for each of the three currencies in which health insurance benefits are most commonly paid: the United States dollar, the euro and the Swiss franc;

(b) The special year-end United Nations Operational Rate of Exchange, which will be used by all organizations for currency conversion purposes;

(c) A number of actuarial assumptions applied in United Nations Joint Staff Pension Fund projections, which should be used unless inappropriate;

(d) A harmonized approach to general inflation, which could be taken by establishing rates for the major United Nations locations, namely, New York, Geneva, Rome and Vienna (ibid., paras. 52-54).

25. In addition, the Secretary-General indicates that the potential for harmonizing the approach with other valuation factors, such as spousal coverage, plan participation and staff turnover, requires further study. In the run-up to its December 2017 deadline, the Task Force will turn its attention to the methodology used in assessing annual health insurance plan administration costs and will work towards a common view on which assets should be considered eligible for use as after-service health insurance liability offsets (ibid., para. 55). **The Advisory Committee expects that the next report of the Secretary-General will contain information submitted by the Working Group on a common view on which assets should be considered eligible for use as after-service health insurance liability offsets.**

26. The Secretary-General proposes that the Task Force remain actively engaged in harmonizing the principles guiding liability valuation (recommendation E) (ibid., para. 56). The Advisory Committee recalls that the exercise to harmonize the general after-service health insurance liability principles to establish factors and actuarial assumptions is to be completed no later than by the end of 2017, for implementation in the 2018 actuarial valuations (of the liabilities as at 31 December 2017) (see annex I). **The Advisory Committee recommends that the General Assembly endorse recommendation E of the Working Group. The Committee**

looks forward to receiving information on actuarial valuations of after-service health insurance liabilities of the United Nations system organizations following a harmonized methodology.

Proposed funding of after-service health insurance liability from 1 January 2020

27. The Secretary-General proposes that the General Assembly approve the principle of funding of the after-service health insurance liability in respect of officials recruited from 1 January 2020 so as to fully cover the United Nations pay-as-you-go obligation to those officials, as from the date of their retirement (recommendation F). The Secretary-General also proposes that the proposed funding be confirmed by the Assembly at its seventy-second session based on a fully detailed projection reflecting the 1 January 2020 implementation date (to be submitted to the Assembly) (see A/71/698, para. 72). The Advisory Committee notes that the projection presented in the report of the Secretary-General is based on an assumed implementation date of 1 January 2018 (see also para. 29 (a) below). The Committee was informed that in the report of the Secretary-General, the obligation refers to the employer's share of the after-service health insurance benefits payment to staff, which is correspondingly reflected in all of the projections, numbers and payroll charges stated in the report.

28. According to the Secretary-General, "newly constituted liability" means liability constituted in relation to staff recruited from 1 January 2020 only, while liability in respect of staff members already recruited but not yet entitled to after-service health insurance would be included in the assessment of the existing liability, constituted in relation to staff recruited before 1 January 2020. Moreover, "full funding" means the accumulation of a financial reserve sufficient to initially reduce and ultimately fully cover the United Nations projected pay-as-you-go after-service health insurance obligation to newly retired officials as from the date of their retirement. The Secretary-General indicates that the positive impact on future budgets is achieved by transferring the after-service health insurance liability to the reserve in the same manner as pension-related liability is transferred to the United Nations Joint Staff Pension Fund (see A/71/698, paras. 60, 66 and 68).

29. Information on the funding proposal, including projection undertaken by the independent actuary for the United Nations, is provided in paragraphs 57-72 and figures I-III of the report of the Secretary-General. A few assumptions taken for the projections include the following (ibid., paras. 61-63, 68 and 69):

(a) The after-service health insurance liability valuations as at 31 December 2015 were the starting point in the development of the projections (projected from 1 January 2016, with a two-year deferment of the funding implementation in 2018);

(b) The projections comprise the entities falling directly within the scope of the decisions of the General Assembly in relation to after-service health insurance, as listed in paragraph 62 of the report of the Secretary-General, but exclude peacekeeping operations because of the fluid nature of the workforce and the resulting potential for under- or overstating the funding requirement (see paras. 30 and 31 below);

(c) For the same reason, the assessment base of the liability estimated for projection purposes is the gross salary mass (excluding post adjustment) rather than total staff cost;

(d) The discount rates used in preparing the long-term expected cash flow projections are those used for the most recent after-service health insurance liability valuations;

(e) An assumed rate of return on investment of 3.5 per cent is used, which is less conservative than the discount rates and consistent with the long-term real rate of return objective of the Pension Fund;

(f) A payroll charge of 6.17 per cent of salary mass based on the 3.5 per cent return on investment would be necessary to achieve full funding of the liability constituted as from 1 January 2020 (service cost) as well as its projected growth (interest cost) (see para. 32 below).

30. Upon enquiry, the Advisory Committee was informed that the actuarial projections covered 19,490 staff and 10,774 retirees of the entities listed in paragraph 62 of the report of the Secretary-General, representing a total of 30,264 staff and retirees, or 61.63 per cent of those of both the entities and the peacekeeping operations.

31. The Secretary-General indicates that separate projections have been prepared for peacekeeping operations (see A/71/698, para. 62). Upon request, the Advisory Committee was provided with the projections in respect of peacekeeping operations, which are contained in annex II to the present report. The Committee was also informed that the number of staff and retirees was 17,147 and 1,696, respectively, under the projections for peacekeeping operations.

32. It is indicated in the report of the Secretary-General that although the payroll charge corresponds to the funding of newly constituted after-service health insurance liability, it is expressed as a level percentage of the total gross salary mass (excluding post adjustment) regardless of the date of recruitment (ibid., para. 68). Concerning the projected payroll charge of 6.17 per cent of salary mass based on the 3.5 per cent rates of return on investment, the Advisory Committee enquired as to whether other rates had been considered and their impact on the payroll charge. The Committee was provided with the table below.

Rates of return on investment and corresponding payroll charges

(Percentage)

Rates of return on investment assumption	2.50	3.00	3.50	4.00
Payroll charge	8.65	7.31	6.17	5.21

33. The Advisory Committee also sought information on differences between the current projections and a scenario in which the health insurance premiums would be shared by the organizations and staff on an equal basis for some health insurance plans. It was informed that the valuations as at 31 December 2015, as the starting point in the development of the projections (see para. 29 (a) above), were based on the current employer and employee contribution-sharing ratios; and that a recasting of the projections on the basis of an altered contribution-sharing assumption would be onerous and would need to be requested from the independent actuary as a separate study. The Committee was also informed that the Secretariat's decision to maintain the current apportionment of contributions between employer and employee for the development of the projections was based on the recommendation of the International Civil Service Commission in that regard,[4] approved by the General Assembly in its resolution 69/251. **The Advisory Committee is of the view that scenarios with a reduced share of the premiums apportioned to the organizations could be explored.**

[4] The International Civil Service Commission stated that it had decided to recommend to the General Assembly that the current apportionment of health insurance premiums between the Organization and both active and retired staff in United States and non-United States health insurance plans be maintained at their existing ratios (see A/69/30, para. 91).

34. With regard to the practice of other system organizations, the Working Group reports that organizations whose governing bodies have already endorsed funding of after-service health insurance liabilities have followed various methodologies (see A/71/698, para. 59). The Working Group, while recognizing that the funding of after-service health insurance liabilities is a system-wide issue, is of the view that a single system-wide approach to addressing that issue may not be necessary or achievable. **The Advisory Committee notes that no detailed information on the methodologies adopted by those organizations is provided in the report of the Secretary-General.**

35. With respect to the impact of the proposed partial funding on the biennial programme budgets, the Secretary-General indicates that, in the absence of funding, the 2068-2069 budgetary impact would be $1.4 billion, while an amount of $1.2 billion would be required under the partial funding proposal (excluding peacekeeping operations) (ibid., para. 70). A table on the biennial budgetary impact for 2020-2021, 2048-2049 and 2068-2069 is provided in paragraph 70 of the report of the Secretary-General.

36. Noting that the General Assembly has not requested the Secretary-General to submit a new funding proposal in respect of funding after-service health insurance liability, the Advisory Committee was informed, upon enquiry, that the Secretary-General remained concerned about the level of unfunded after-service health insurance liability that would place financial pressure on future budgets. He had therefore deemed it appropriate to elaborate on a funding proposal aimed at ensuring prudential control of the escalation of the United Nations after-service health insurance liability and limiting its impact on future budgets. **The Advisory Committee recalls that the General Assembly has considered that the existing pay-as-you-go approach remains a viable approach, and endorsed the Committee's recommendation that the Organization continue with the pay-as-you-go approach at the present time (resolutions 68/244 and 70/248 B).**

37. **Furthermore, the Advisory Committee is of the view that the current funding proposal for after-service health insurance liability is not presented in a comprehensive manner and fails to consider different scenarios and variables that could have a potential impact on the liability, such as: (a) information on access to national health insurance schemes and its potential impact pending the ongoing surveys and cost and benefit analysis (see paras. 14-17 above); (b) comparable information on liability valuations pending the methodology harmonization exercise (see paras. 22-26 above); and (c) inclusion of projections for peacekeeping operations[5] (see paras. 29 (b) and 31 above).**

38. **Taking into account the above, the Advisory Committee is not in a position to recommend endorsement of recommendation F.**

Investment of reserves

39. It is reported that a request for proposals was issued by the United Nations Development Programme (UNDP) on behalf of the United Nations Capital Development Fund, UNDP, the United Nations Population Fund (UNFPA), the United Nations Children's Fund (UNICEF) and the United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women), which resulted in the selection of two external investment management firms charged with the investment of after-service health insurance-related reserves totalling over

[5] The Board of Auditors reports that in the financial statements for peacekeeping operations for the financial period 2015/16, the actuary's valuation of the employee benefits liabilities was erroneous (understated by $440.1 million) and needed to be revised three times (see A/71/5 (Vol. II), chap. II, summary and paras. 17-22).

$1.1 billion (pooled for investment purposes, but ring-fenced in separate organization-specific accounts lodged in a common bank). These assets are invested in accordance with instructions received from a common investment management committee, comprising representatives of the five organizations. This cooperative approach is intended to result in lower management fees and better investment returns than were previously experienced, and in a better alignment of the investment of the after-service health insurance-related assets to the underlying liabilities (see A/71/698, para. 76).

40. Upon enquiry, the Advisory Committee was informed that UNDP, on behalf of the other organizations, had first approached the United Nations Joint Staff Pension Fund in early 2010 to explore whether after-service health insurance investment management services could be provided. Over the next three years, there were a number of exchanges to resolve questions (primarily legal in nature) to have the Pension Fund provide this service. However, given the time spent without reaching a resolution, the entities had agreed to move ahead with a procurement exercise for external managers (see paras. 18-21 above).

41. The Working Group on Common Treasury Services is pursuing opportunities for collaboration along the lines of the initiative of the United Nations Capital Development Fund, UNDP, UNFPA, UNICEF and UN-Women in support of a number of United Nations system organizations that have set aside reserves earmarked for the coverage of their after-service health insurance liabilities. The Working Group is of the view that this will serve as a sound foundation, pending decisions by the General Assembly and other United Nations system governing bodies related to the funding of after-service health insurance liabilities (see A/71/698, para. 77).

42. The Secretary-General therefore proposes that the Working Group on Common Treasury Services, established by the Finance and Budget Network of the High-level Committee on Management, continue to promote inter-agency collaboration with respect to the investment of funds earmarked for the coverage of after-service health insurance liabilities (recommendation G) (ibid., para. 78).

43. **The Advisory Committee notes that the General Assembly has not taken a decision on the funding and investment of after-service health insurance liability for the organizations under its purview. For those entities that have their own governing bodies and have set aside reserves earmarked for the coverage of their after-service health insurance liabilities, the Committee welcomes the efforts of the Working Group on Common Treasury Services to pursue opportunities for collaboration. The Advisory Committee recommends that the General Assembly endorse recommendation G.**

V. Conclusion

44. The proposals of the Secretary-General for action by the General Assembly are contained in paragraph 79 of his report.

45. **The Advisory Committee recommends endorsement of recommendations A, B, C, E and G. The Committee recommends against endorsement of recommendations D and F. Subject to its comments and recommendations in the present report, the Committee recommends that the General Assembly:**

(a) **Take note of the report of the Secretary-General;**

(b) **Request that the Secretary-General maintain the Working Group and report to the General Assembly at its seventy-third session.**

Annex I

Recommendations 1-8 as presented in the report of the Secretary-General on after-service health insurance liabilities (A/70/590), recommendations of the Advisory Committee on Administrative and Budgetary Questions (A/70/7/Add.42) as endorsed by the General Assembly and recommendations A-G as proposed in the report of the Secretary-General (A/71/698 and Corr.1)

Topic	*Report of the Secretary-General (A/70/590): recommendations 1-8*	*Report of the Advisory Committee on Administrative and Budgetary Questions (A/70/7/Add.42): recommendations endorsed by the General Assembly in resolution 70/248 B*	*Report of the Secretary-General (A/71/698 and Corr.1): recommendations A-G*
Collective negotiations with third-party administrators	**Recommendation 1**: United Nations system organizations should negotiate collectively with third-party administrators in order to optimize pricing for administrative services and network access. To support collective negotiation, United Nations system organizations should explore the feasibility of establishing and maintaining a common database that captures demographic and plan information, summarized claims data, terms and conditions of third-party administration agreements, staff costs and summarized fraud information. (para. 34)	The Advisory Committee recognizes the diversity of health insurance plans across the United Nations system both in terms of the markets in which they operate and the staffing categories they serve. In addition, the Committee recognizes the variations in the administration model under which the various plans operate. These barriers notwithstanding, the Committee is of the view that opportunities do exist for consolidation for the purpose of achieving economies and efficiencies while maintaining access to quality health care. In that regard, the Committee recommends that the General Assembly endorse recommendations 1 to 3 of the Working Group and encourages the Group to continue exploring opportunities for the consolidation of health insurance plans at the various levels. (para. 14)	**Recommendation A**: It is recommended that the Working Group established by the Secretary-General under the auspices of the Finance and Budget Network of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination be maintained so as to ensure continuity in promoting terms and conditions of service aligned to best practice, cost containment and control in the area of third-party administration of health insurance plans. (para. 14)
Collective negotiations with health-care providers	**Recommendation 2**: The self-administered plans (International Labour Organization, World Health Organization and the United Nations Staff Mutual Insurance Society) have successfully conducted collective negotiations with health-care providers in the Geneva area. Self-administered plans should continue to identify areas where collective negotiations with health-care providers could result in material savings and/or		**Recommendation B**: It is recommended that the Working Group pursue opportunities for the cooperation of organizations based in all locations in developing their health insurance plans' access to health-care provider networks in all regions, to ensure that best pricing for quality health care is achieved and pricing volatility is minimized. (para. 18)

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	operational improvements. The organizations concerned should develop common standard processes, enabling them to negotiate collectively with health-care providers and provider networks in order to obtain the best access to, and best pricing for, quality health care and to minimize pricing volatility. (para. 35) Those organizations should consider establishing a common database and provide additional information in relation to health-care provider practices, terms and conditions of agreements, fraud information and quality assessments. (para. 36)		
Underwriting reviews and negotiations with insurers	**Recommendation 3**: To provide a robust basis for challenging the terms and conditions of insurers, organizations with externally insured plans should perform periodic underwriting reviews, the results of which should be shared within the United Nations system for benchmarking purposes. (para. 37)		**Recommendation C**: It is recommended that the Working Group urge organizations to adjust confidentiality clauses in insurance policies and contracts with third-party administrators that currently preclude the sharing of information within the United Nations system, and implement regular system-wide underwriting reviews aimed at enabling United Nations system organizations to leverage scale and technical experience in negotiating terms and conditions of insurance with health insurance carriers. It is further recommended that the Working Group promote risk pooling wherever practicable, including within captive insurance arrangements, where appropriate. (para. 33)

Topic	*Report of the Secretary-General (A/70/590): recommendations 1-8*	*Report of the Advisory Committee on Administrative and Budgetary Questions (A/70/7/Add.42): recommendations endorsed by the General Assembly in resolution 70/248 B*	*Report of the Secretary-General (A/71/868 and Corr.1): recommendations A-G*
National health insurance schemes	**Recommendation 4**: The Working Group proposes to continue to support organizations that will further explore the value of national health insurance schemes in the context of United Nations system health insurance plans and in a framework whereby those plans would act as supplementary plans to level up the present terms and conditions provided to active and retired staff. The Working Group proposes that organizations approach Member States about broadening the eligibility of officials for primary coverage under those schemes. That concerns mainly retirees and their eligible dependents, but might also be extended to the active staff population in certain situations. (para. 51) Organizations should evaluate the appropriateness, practicality and financial effects of incorporating into their health insurance plan the requirement to enrol in a national insurance scheme with contributions to the national plan being borne by the organization plan. (para. 52)	While not being in a position to recommend the endorsement of recommendation 4 of the Working Group pending the receipt of more information on national health insurance plans, the Advisory Committee acknowledges the potential for savings, should the recommendation be implemented, and trusts that the necessary information will be obtained in the next phase of the Working Group survey. (para. 18)	See A/71/815, paras. 14-17.

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Broadening the mandate of the United Nations Joint Staff Pension Fund	**Recommendation 5**: Although the role of the United Nations Joint Staff Pension Fund, including the Investment Management Division, should not be broadened, the Fund could, pursuant to the recommendation of the Advisory Committee on Administrative and Budgetary Questions, be requested to share its best practice approach and its methods for centralization and administration of a complex multiple-employer plan with United Nations system organizations choosing to jointly provide after-service health insurance coverage. (para. 53)	While not being in a position to recommend the endorsement of recommendation 5 of the Working Group at the present time, the Advisory Committee acknowledges the views expressed by the Pension Board and the Working Group. The Committee remains of the view that the funding and administration of after-service health insurance benefits is an issue of system-wide concern that would best be resolved through a system-wide approach. In this regard, the Committee recommends that the Working Group continue to examine options for a system-wide approach to managing after-service health insurance benefits, without excluding a potential role for the Pension Fund, including sharing its best practices approach and its operating methods. (para. 24)	**Recommendation D**: It is recommended that the consideration of expanding the mandate of the United Nations Joint Staff Pension Fund cease and that the Working Group concentrate its efforts on promoting consistency in health insurance plan design and plan consolidation along geographical and organizational lines for the purpose of attaining critical scale. (para. 46)
Standardizing general valuation methodology and the establishment and application of key after-service health insurance liability valuation factors	**Recommendation 6**: In the context of completing its work under Pillar C, the Working Group should coordinate its efforts with the Task Force on Accounting Standards to harmonize the general after-service health insurance liability principles to establish factors and actuarial assumptions no later than the end of 2017, for implementation in the 2018 actuarial valuations. (para. 60)	The Advisory Committee recommends the endorsement of recommendation 6 of the Working Group and expects that, to the extent possible, measures will be taken to standardize the general valuation methodology for after-service health insurance liabilities across all organizations of the United Nations system. (para. 26)	**Recommendation E**: It is recommended that the Task Force remain actively engaged in harmonizing the principles guiding liability valuation. (para. 56)

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Adequate funding of the after-service health insurance liability	**Recommendation 7**: The Working Group recommends that organizations adequately fund their after-service health insurance liability and build reserves at a minimum to fund the additional cost accrued during the current period, represented by service cost plus the corresponding interest costs. For those organizations that are still following a pay-as-you-go approach in relation to their after-service health insurance liabilities, that would mean a move to a pay-as-you-accrue approach, reflecting the true cost of current operations. (para. 68) In addition, organizations could consider embedding a funding mechanism into the standard staff costs used for budgeting. (para. 69) Organizations managing extrabudgetary funds should ensure that no account with an unfunded after-service health insurance liability is closed before the liability is cleared through the application of available funds to the recognized liability. (para. 70) Member States and other contributing stakeholders could also consider providing organizations, where required, with a one-off payment or specific time-limited funding methods to cover historic shortfalls in after-service health insurance funding. (para. 71)	The Advisory Committee notes that, while the General Assembly has requested the Secretary-General to submit proposals on managing after-service health insurance liabilities, the Assembly still considers that the existing pay-as-you-go approach is a viable option. The Committee also notes that the organizations of the United Nations system have complied with International Public Sector Accounting Standard 25, which stipulates the recognition in the financial statements of liabilities related to employee benefits but does not prescribe how those liabilities should be funded, leaving it to the discretion of the organizations to determine the optimal approach to ensuring that adequate resources are available to settle the recognized employee benefit liabilities as and when they fall due. Furthermore, the Committee is of the view that the rationale for setting aside budgetary resources meant for current activities to provide for expected future liabilities has not been sufficiently justified by the Secretary-General. In this regard, the Committee reiterates its recommendation to continue with the pay-as-you-go approach at the present time (A/68/550, para. 17), as endorsed by the General Assembly in its resolution 68/244. (para. 28)	**Recommendation F**: It is recommended that the General Assembly approve the principle of funding of the after-service health insurance liability in respect of officials recruited from 1 January 2020 so as to fully cover the United Nations pay-as-you-go obligation to those officials, as from the date of their retirement. It is also recommended that the proposed funding be confirmed by the Assembly at its seventy-second session based on a fully detailed projection reflecting the 1 January 2020 implementation date. (para. 72)

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Investment of reserves	**Recommendation 8**: The Working Group recommends that organizations of the United Nations system explore opportunities through the Working Group on Common Treasury Services for cooperation in leveraging existing arrangements with external asset managers to maximize returns and minimize management fees. (para. 72)	The Advisory Committee, while not ruling out the possibility of establishing an inter-agency facility for the investment of accumulated reserves, sees merit in the Working Group's recommendation to leverage the existing arrangements with external asset managers in the investment of reserves earmarked to cover after-service health insurance liabilities for the organizations that have established such reserves. Since no decision to that effect has been taken by the General Assembly, the Committee is not in a position to recommend the endorsement of recommendation 8 of the Working Group at the present time. (para. 30)	**Recommendation G**: It is recommended that the Working Group on Common Treasury Services, established by the Finance and Budget Network of the High-level Committee on Management, continue to promote inter-agency collaboration with respect to the investment of funds earmarked for the coverage of after-service health insurance liabilities. (para. 78)

Annex II

Projections of after-service health insurance liability and funding for peacekeeping operations

Figure I

Development to expiration of the after-service health insurance liability related to staff recruited before 1 January 2016

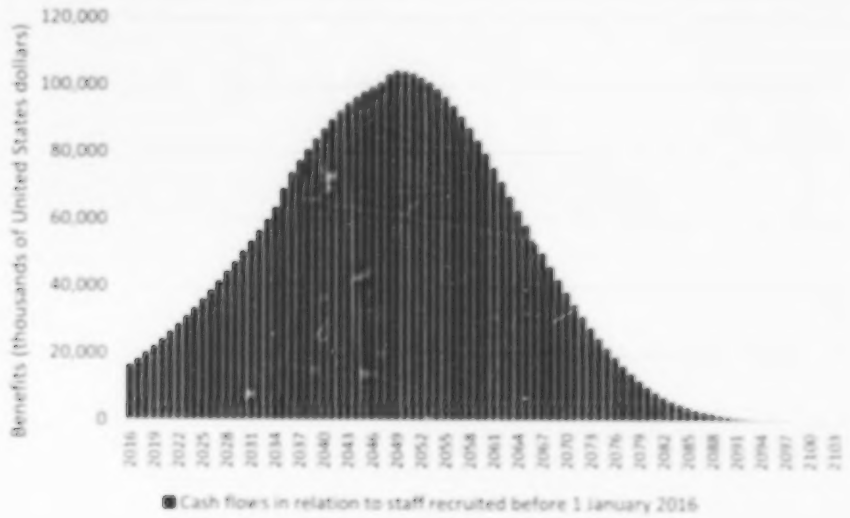

Figure II

Development of the total after-service health insurance liability without funding (open group basis to year-end 2070)

Figure III

Funding of after-service health insurance liability related to staff recruited from 1 January 2016